

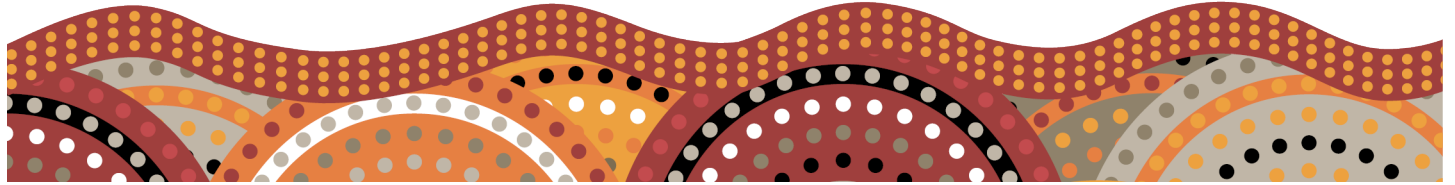
# MONTHLY UPDATE

December 2022



Share Price	Warrant Price	BRM NAV	PREMIUM <sup>1</sup>
\$0.71	\$0.01	\$0.71	0.4%

as at 30 November 2022



## A WORD FROM THE MANAGER

In November, Barramundi's gross performance return was up 3.7% and the adjusted NAV return was up 3.1%. This compares to the S&P/ASX200 Index (70% hedged into NZ\$) which was up 5.8%.

The ASX200 was buoyed in November by early signs that China may begin relaxing its zero-COVID policy. This supported commodity prices which underpinned a 16.2% rise in the materials index in the month, including a 22% increase in index heavyweight, BHP's share price. The utilities sector returned 20.9% in the month driven by a takeover offer for Origin Energy whose share price rose 41% in the month. All other sectors also finished in positive territory, with Financials, the worst performing sector still up 1.1% for the month.

Seasonally, November is a busy month for listed company Annual General Meetings (AGMs) in Australia. Trading updates provided at a range of AGMs, pointed to reasonably robust trading conditions for companies. The expected slowdown in consumer spending and domestic economic activity is yet to manifest for a number of Australian corporates.

### Portfolio News

At its AGM, **NextDC** (+18.6% in A\$) indicated it has had a strong start towards meeting its FY23 earnings guidance which includes revenue that is expected to be 17-22% higher compared with FY22. The company is offsetting the most acute inflationary pressures facing the industry. In particular it has revenue increases built into its contracts. It also has electricity pass through mechanisms in its contracts, protecting its profits from rising power prices. Management also noted that its major construction projects have been contracted at fixed price rates, set before construction costs started rising materially, helping to contain overall construction costs.

We attended **PWR's** (+16.5%) AGM in Brisbane and had the good fortune of spending time with management and the Board. The chair and CEO both reflected on a strong year of growth for the company over FY22 where revenue grew +28% and after-tax earnings, +24%. Underpinning this growth is a strong culture of excellence and drive across the organisation. Touring PWR's factory, the pride across all levels of the organisation is strongly evident. The company is moving to bigger premises to cater to its expanding order book. So FY23 looks as if it will be another year of good earnings growth for the company.

**Domino's** share price continued rising in November with a 4.1% increase. Its AGM trading update early in the month indicated that same store sales growth and organic store rollout for FY23 are both expected to meet their medium-term targets (+3-6% and +8-10% pa respectively). This, despite a slow start to the year on both counts. Underlying FY23 after tax profit is forecast to exceed FY22 after excluding a circa \$7m drag from FX. This infers that a range of headwinds (FX, German royalty waiver ending, higher share-based payments, any cost inflation not recovered by price and menu adjustments) will offset the contribution from the recently completed acquisition of Domino's operations in Singapore and Malaysia. November also saw the exercise of the put/call option over the residual 33% stake in Domino's very successful German business that was retained by Domino's UK. The exercise price was estimated at A\$127m in June 2022. In early December, Dominos raised A\$165m of equity primarily to fund this purchase.

In late November **Brambles** announced that it would combine its CHEP China pallet and automotive container operation with the larger Chinese business of its competitor, Loscam. In exchange, Brambles will own 20% of the combined Chinese business. In FY22 CHEP China accounted for less than 1% of Brambles' revenue and we understand it was not profitable. The pooled pallet market in China is at a fledgling stage of development, accounting for less than 1% of the total pallets in the region. This represents a large growth opportunity that, in our view, can be better realised by the combined business than by CHEP China as a stand-alone operation. The combined business will be the largest in Greater China and, in our view, is also potentially advantaged by having a high proportion of Chinese ownership (via Sinotrans and Trustar Capital). Brambles shares ended November 3.7% higher.

**James Hardie** (-14.1%) disappointed the market with its quarterly trading update released in the month. It has reduced earnings guidance for FY23, primarily on the back of a rapidly slowing housing construction market in the US. Analysts remain cautious on JHX's outlook and are looking for clarity on the areas that will be prioritised by new CEO Aaron Erter. This is likely to be forthcoming in the next few months. This is unlikely to alter the structural growth tailwinds underpinning JHX's growth. We think its longer-term earnings growth prospects are undiminished.

<sup>1</sup> Share Price Premium to NAV (including warrant price on a pro-rated basis and using the net asset value per share, after expenses, fees and tax, to four decimal places).

**Xero's** (-9.5%) interim financial results underwhelmed expectations. The company continues to deliver to expectation in its core Australian and NZ markets. However, UK subscriber growth was softer than expected. The UK slowness reflects the tough domestic environment, changes that were made to the way Xero's sales team manages its UK partners (which has been resolved) and a slow uptake of digitalization of tax filings amongst small businesses. The company expects these headwinds to fade and momentum to pick up in the second half of FY23. Xero also announced that CEO Steve Vamos is retiring in February 2023 and will be replaced by US based Sukhinder Singh Cassidy.

**Resmed** shares slipped by 1.6% in November which probably reflects the lingering impact of its September 2022 quarterly result which was not well received when it was released in late October. Revenue and EBIT rose by 5% and 4% respectively for the quarter but earnings were flat. The main area of disappointment was a 10% constant currency fall in devices sales outside of the Americas, where devices sales were up by 23%. This was due to less acceptance of the stop-gap Card-to-Cloud

device solution in European markets where health insurance reimbursement can depend on telemonitoring of devices, which card-to-cloud cannot provide. The only notable news over November was completion of the US\$1 billion acquisition of Medifox Dan that was announced in June. This is a healthcare SaaS business that provides clinical, financial and operational solutions to German out-of-hospital care providers.

## Portfolio Changes

We increased our weighting in Macquarie Group following its resilient earnings result in late October (refer to last month's update for more detail).



Robbie Urquhart  
Senior Portfolio Manager  
Fisher Funds Management Limited



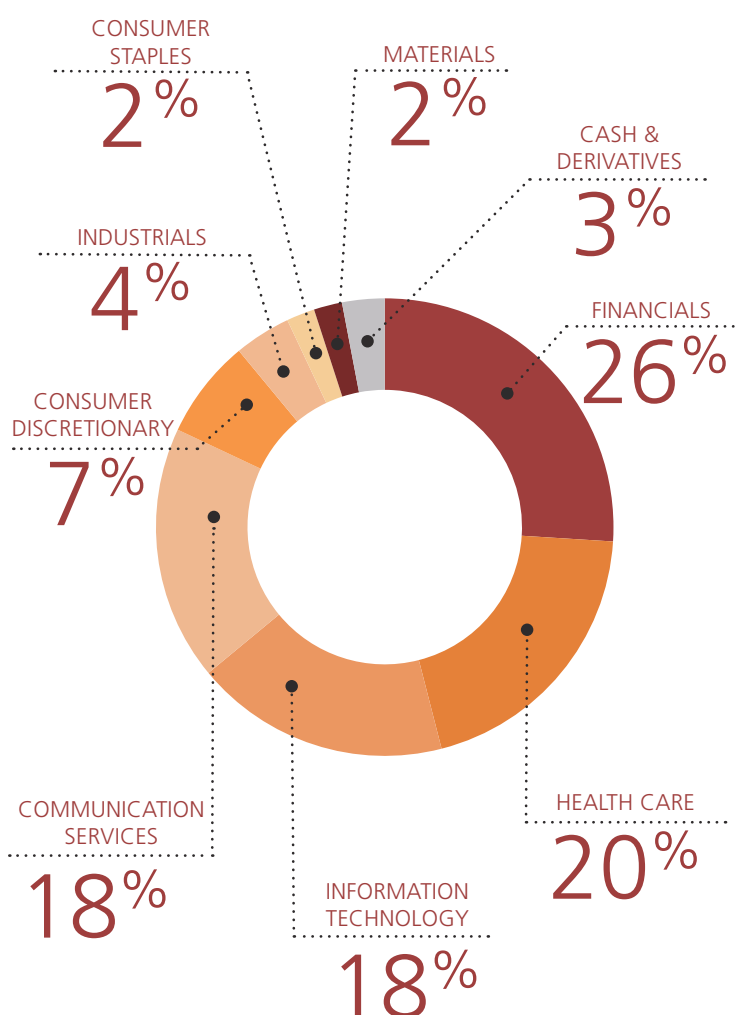
## KEY DETAILS

as at 30 November 2022

FUND TYPE	Listed Investment Company
INVESTS IN	Growing Australian companies
LISTING DATE	26 October 2006
FINANCIAL YEAR END	30 June
TYPICAL PORTFOLIO SIZE	20-35 stocks
INVESTMENT CRITERIA	Long-term growth
PERFORMANCE OBJECTIVE	Long-term growth of capital and dividends
TAX STATUS	Portfolio Investment Entity (PIE)
MANAGER	Fisher Funds Management Limited
MANAGEMENT FEE RATE	1.25% of gross asset value (reduced by 0.10% for every 1% of underperformance relative to the change in the NZ 90 Day Bank Bill Index with a floor of 0.75%)
PERFORMANCE FEE HURDLE	Changes in the NZ 90 Day Bank Bill Index + 7%
PERFORMANCE FEE	10% of returns in excess of benchmark and high water mark
HIGH WATER MARK	\$0.74
PERFORMANCE FEE CAP	1.25%
SHARES ON ISSUE	270m
MARKET CAPITALISATION	\$192m
GEARING	None (maximum permitted 20% of gross asset value)

## SECTOR SPLIT

as at 30 November 2022



# NOVEMBER'S SIGNIFICANT RETURNS IMPACTING THE PORTFOLIO

during the month in Australian dollar terms

NEXTDC

+19%

PWR HOLDINGS

+17%

NANOSONICS

+15%

CARSALES.COM

+12%

JAMES HARDIE INDUSTRIES

-14%

## 5 LARGEST PORTFOLIO POSITIONS as at 30 November 2022

CSL LIMITED

9%

WISETECH

6%

CARSALES.COM

6%

AUB GROUP

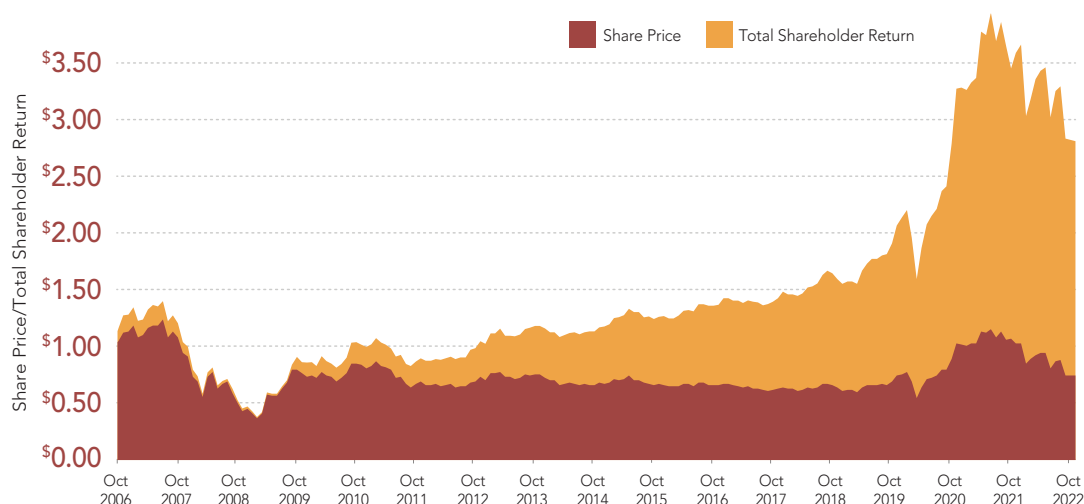
5%

CBA

5%

The remaining portfolio is made up of another 22 stocks and cash.

## TOTAL SHAREHOLDER RETURN to 30 November 2022



## PERFORMANCE to 30 November 2022

	1 Month	3 Months	1 Year	3 Years (annualised)	5 Years (annualised)
<b>Company Performance</b>					
Total Shareholder Return	(0.2%)	(14.7%)	(21.7%)	+10.8%	+14.5%
Adjusted NAV Return	+3.1%	(0.0%)	(8.7%)	+8.8%	+10.7%
<b>Portfolio Performance</b>					
Gross Performance Return	+3.7%	+1.1%	(7.7%)	+11.1%	+13.5%
Benchmark Index <sup>^</sup>	+5.8%	+4.6%	+6.3%	+6.5%	+8.3%

<sup>^</sup>Benchmark Index: S&P/ASX 200 Index (hedged 70% to NZD)

### Non-GAAP Financial Information

Barramundi uses non-GAAP measures, including adjusted net asset value, adjusted NAV return, gross performance return and total shareholder return. The rationale for using such non-GAAP measures is as follows:

- » adjusted net asset value – the underlying value of the investment portfolio adjusted for dividends (and other capital management initiatives) and after expenses, fees and tax,
- » adjusted NAV return – the percentage change in the adjusted NAV,
- » gross performance return – the Manager's portfolio performance in terms of stock selection and currency hedging before expenses, fees and tax, and
- » total shareholder return – the return combines the share price performance, the warrant price performance, the net value of converting any warrants into shares, and the dividends paid to shareholders. It assumes all dividends are reinvested in the company's dividend reinvestment plan, and that shareholders exercise their warrants, (if they were in the money), at warrant expiry date

All references to adjusted net asset value, adjusted NAV return, gross performance return and total shareholder return in this monthly update are to such non-GAAP measures. The calculations applied to non-GAAP measures are described in the Barramundi Non-GAAP Financial Information Policy. A copy of the policy is available at <https://barramundi.co.nz/about-barramundi/barramundi-policies>

## ABOUT BARRAMUNDI

Barramundi is an investment company listed on the New Zealand Stock Exchange. The company gives shareholders an opportunity to invest in a diversified portfolio of between 20 and 35 quality growing Australian companies through a single, professionally managed investment. The aim of Barramundi is to offer investors competitive returns through capital growth and dividends.

## MANAGEMENT

The Manager has authority delegated to it from the Board to invest according to the Management Agreement and other written policies. Barramundi's portfolio is managed by Fisher Funds Management Limited. Robbie Urquhart (Senior Portfolio Manager), Terry Tolich and Delano Gallagher (Senior Investment Analysts) have prime responsibility for managing the Barramundi portfolio. Together they have significant combined experience and are very capable of researching and investing in the quality Australian companies that Barramundi targets. Fisher Funds is based in Takapuna, Auckland.

## BOARD

The Board of Barramundi comprises independent directors Andy Coupe (Chair), Carol Campbell, David McClatchy and Fiona Oliver.

## CAPITAL MANAGEMENT STRATEGIES

### Regular Dividends

- » Quarterly distribution policy introduced in August 2009
- » Under this policy, 2% of average NAV is targeted to be paid to shareholders quarterly
- » Dividends paid by Barramundi may include dividends received, interest income, investment gains and/or return of capital
- » Shareholders who prefer to have increased capital rather than a regular income stream have the opportunity to participate in the company's dividend reinvestment plan (DRP)
- » Shares issued to DRP participants are at a 3% discount to market price
- » Barramundi became a portfolio investment entity on 1 October 2007. As a result, dividends paid to New Zealand tax resident shareholders have not been subject to further tax

### Warrants

- » Barramundi announced a new issue of warrants on 27 April 2022
- » Information pertaining to the warrants was mailed/ emailed to shareholders on 4 May 2022
- » The warrants were issued at no cost to eligible shareholders in the ratio of one warrant for every four Barramundi shares held based on the record date of 13 May 2022
- » The warrants were allotted to shareholders on 16 May 2022 and listed on the NZX Main Board from 17 May 2022
- » The Exercise Price of each warrant is \$0.89, adjusted down for the aggregate amount per Share of any cash dividends declared on the shares with a record date during the period commencing on the date of allotment of the warrants and ending on the last Business Day before the final Exercise Price is announced by Barramundi
- » The Exercise Date for the new warrants is 26 May **2023**

### Share Buyback Programme

- » Barramundi has a buyback programme in place allowing it (if it elects to do so) to acquire its shares on market
- » Shares bought back by the company are held as treasury stock
- » Shares held as treasury stock are available to be re-issued for the dividend reinvestment plan

Disclaimer: The information in this update has been prepared as at the date noted on the front page. The information has been prepared as a general summary of the matters covered only, and it is by necessity brief. The information and opinions are based upon sources which are believed to be reliable, but Barramundi Limited and its officers and directors make no representation as to its accuracy or completeness. The update is not intended to constitute professional or investment advice and should not be relied upon in making any investment decisions. Professional financial advice from a financial adviser should be taken before making an investment. To the extent that the update contains data relating to the historical performance of Barramundi Limited or its portfolio companies, please note that fund performance can and will vary and that future results may have no correlation with results historically achieved.



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